

## Message Text

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ACTION STR-07

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 ICA-11 AGRE-00  
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01  
INR-10 INT-05 L-03 LAB-04 NSAE-00 PA-01 CTME-00  
AID-05 SS-15 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01  
DOE-15 NSCE-00 SSO-00 ICAE-00 INRE-00 /119 W  
-----074130 112041Z /73

O 111757Z MAY 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC IMMEDIATE 9540  
INFO AMEMBASSY TOKYO

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USMTN

PASS STR ELECTRONICALLY FOR AMBASSADOR STRAUSS

E.O. 11652: N/A  
TAGS: ETRD, MTN, JA  
SUBJECT: SUGGESTIONS FOR STRAUSS/USHIBA MEETING ON MAY 24

REF: STATE 117355

1. THERE IS ONE FUNDAMENTAL, OVERRIDING MTN ISSUE WITH JAPAN -- AGRICULTURE -- THAT DEMANDS TOP LEVEL FOLLOW-UP AFTER THE CARTER/FUKUDA MEETING. ALTHOUGH THE PRESIDENT TOLD FUKUDA THAT THE UNITED STATES EXPECTS A MAJOR CONTRIBUTION FROM JAPAN ON AGRICULTURE, THUS FAR THEIR OFFER IS NEGLIGIBLE AND WE SEE NO MOVEMENT HERE OR IN TOKYO TO GRAPPLE WITH THIS TOP POLITICAL LEVEL DECISION. THIS IS THE PRIMARY ISSUE THAT COULD WELL THREATEN THE ENTIRE NEGOTIATIONS -- A SUBSTANTIAL RESULT FOR AGRICULTURE IS A PREREQUISITE TO A SUCCESSFUL OUTCOME FOR THE MULTILATERAL TRADE NEGOTIATIONS AND JAPAN IS NOW THE KEY FOR THE NEXT  
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MOVEMENT FORWARD. UNLESS JAPAN, WITH ITS POOR AGRICULTURAL ECONOMICS, HIGH DOMESTIC PRICES AND ABSURDLY HIGH TRADE BALANCES, MOVES TO LIBERALIZE ITS EXCESSIVELY RESTRICTIVE AGRICULTURAL IMPORT REGIME, OTHER MAJOR AGRICULTURAL IMPORTERS WILL DUCK FOR POLITICAL COVER ALSO. TO COUNTER THIS, WE MUST COAX THE WHOLE GROUP FORWARD WITH JAPAN IN THE FRONT RANK.

2. OUR BASIC OBJECTIVE IS TO COMMIT JAPAN IN AGRICULTURE TO PHASE OUT THEIR RESTRICTIVE QUOTAS AT LEAST OVER THE NEXT TEN YEARS. THIS GIVES THEM TIME TO MODERATE AND HANDLE THE SHIFT. THEY CAN THEN SHORE UP THEIR FARMERS' INCOME WITH DEFICIENCY PAYMENTS IF POLITICALLY NECESSARY. WE ALSO HAVE ASKED FOR A LONG LIST OF TARIFF REDUCTIONS, E.G., MEAT, POULTRY, VEGETABLES, FRUITS, CITRUS JUICES, EGGS, VEGETABLE JUICES, WINE, WHISKEY AND OTHER ITEMS-- ALL POLITICALLY AND ECONOMICALLY IMPORTANT TRADE ITEMS FOR US. WE HAVE RECEIVED NO SUBSTANTIVE OFFER ON THESE REQUESTS. THEY RESPONDED TO ONLY TWO OF OUR 50 REQUESTS FOR THESE ITEMS. THAT IS SIMPLY AN INTOLERABLE REFUSAL FROM A COUNTRY WHOSE ECONOMIC LIFE BLOOD DEPENDS ON CONTINUED TRADE LIBERALIZATION AND ACCESS TO OUR MARKET.

3. WE SHOULD GET AGREEMENT FROM USHIBA FOR AN IMMEDIATE FOLLOW-UP SESSION IN TOKYO AT A HIGH LEVEL TO SPELL OUT AND GAIN AGREEMENT ON A REASONABLE AGRICULTURAL PACKAGE. THAT TEAM SHOULD GO TO TOKYO THE WEEK FOLLOWING YOUR L.A. SESSION OR NO LATER THAN THE WEEK OF JUNE 5.

4. ONLY AS A REMINDER, YOU WILL WANT TO REPEAT SOME OF THE ARGUMENTS THAT HAVE BEEN USED REPEATEDLY:

-- TIME IS RUNNING OUT: THE PRESIDENT AND YOU ARE LIMITED OFFICIAL USE

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GREATLY CONCERNED THAT WE WILL BE OVERRUN BY THE FORCES PRESSING ON US TO TURN INWARD AND TO BEGIN SHUTTING OFF IMPORTS UNLESS THE TOKYO ROUND PRODUCES SUBSTANTIAL RESULTS.

-- ALTHOUGH JAPAN'S CONTINUED PROSPERITY IS MORE DEPENDENT THAN THAT OF ANY OTHER MAJOR COUNTRY ON MAINTAINING OPEN TRADE, IT IS UNDER ATTACK AS NEVER BEFORE BECAUSE JAPAN'S TRADE BARRIERS ARE OUT OF LINE WITH THOSE OF OTHER KEY COUNTRIES. THEY MUST BE BROUGHT DOWN TO CARRY OUT THE JANUARY 13 AGREEMENT TO ACHIEVE: (1) BASIC EQUITY IN US/JAPAN TRADING RELATIONS, (2) SUBSTANTIALLY EQUIVALENT COMPETITIVE OPPORTUNITIES, (3) OPENNESS OF THEIR MARKETS, AND (4) COMPARABLE AVERAGE LEVELS OF BOUND TARIFFS ON MANUFACTURED GOODS.

5. ALTHOUGH WE HOPE OUR TEAM CURRENTLY IN TOKYO WILL SECURE ADEQUATE IMPROVEMENTS IN INDUSTRIAL TARIFF OFFERS (WHICH USHIBA WILL PROBABLY WANT TO DELIVER PERSONALLY TO YOU), WE SHOULD REEMPHASIZE THAT ANY U.S. AGREEMENT ON THEIR ACCEPTABILITY IS STRICTLY CONDITIONAL ON AN ADEQUATE RESPONSE ALSO IN AGRICULTURE. WE NEED MITI AND MAF IN

TOKYO WORKING WITH US TO GET CONCESSIONS OUT OF THEIR AGRICULTURAL DEPARTMENT. IN TURN, THIS DEPENDS ON USHIBA GOING BACK TO FUKUDA IMMEDIATELY FROM L.A. FOR A POSITIVE POLITICAL DECISION ON SUBSTANTIAL AGRICULTURAL LIBERALIZATION AS THE ESSENTIAL PRICE FOR TRADE PEACE AND CONTINUED TRADE EXPANSION.

6. IF WE STILL HAVE AN INADEQUATE SERIES OF TARIFF OFFERS FROM JAPAN, WE WILL NEED TO PUSH HARD AGAIN ON THAT ONE. IF JAPAN IS LAGGING, THAT WILL ENCOURAGE THE EC'S DESIRE TO ERODE THEIR OFFER.

7. IN GOVERNMENT PROCUREMENT, WE NEED SOME SOLID

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INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10  
INT-05 L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05  
SS-15 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15  
NSCE-00 SSO-00 ICAE-00 INRE-00 /108 W  
-----074148 112042Z /73

O 111757Z MAY 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC IMMEDIATE 9541  
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JAPANESE STEPS FORWARD. THEY ARE STILL DRAGGING FEET, LOOKING FOR WAYS TO DRAFT COMPLIANCE WHILE BASICALLY CHANGING NONE OF THEIR TRADITIONALLY RESTRICTIVE PRACTICES.

8. FOR THE MOMENT WE CAN PUSH THE OTHERS FROM HERE.  
MCDONALD

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## Message Attributes

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